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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audits of the regional commissions.

2. The Secretary-General takes note of the findings contained in the report and concurs with its recommendations.

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Annex

Report of the Office of Internal Oversight Services on the audits of the regional commissions

Summary

During the period from September 1996 to April 1997, the Office of Internal Oversight Services conducted audits of the Economic Commission for Africa (ECA), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP), and the Economic and Social Commission for Western Asia (ESCWA).

A. Economic Commission for Africa

Major improvements were needed to strengthen internal controls and to monitor compliance with financial regulations and rules. The accounting system was outdated and did not meet the needs of the Commission. Bank reconciliations were not done on a timely basis and they contained a number of reconciling items that had not been properly investigated. Collection action for all classes of accounts receivable has been weak.

The costs of running the newly completed United Nations Conference Centre are not segregated from the operating costs of other ECA facilities. Separate account codes should be established and common costs prorated to reflect the actual costs of operating and maintaining the Centre.

ECA management generally agreed with the recommendations of the Office and has already addressed many of the problems reported. It has established an action plan for strengthening financial and administrative management and a time schedule for implementation.

B. Economic Commission for Latin America and the Caribbean

The audits of ECLAC and its subregional office in Mexico disclosed generally satisfactory management of programmes. However, the monitoring of extrabudgetary projects was inadequate and the quality of programme outputs was not being properly assessed. ECLAC Mexico, while using substantial regular budget resources to produce outputs that were not covered by the approved programme of work, was nevertheless able to achieve a subprogramme implementation rate of 90 per cent. Thus, there was an indication of overbudgeting.

There was no formal agreement between ECLAC and the United Nations Environment Programme (UNEP) defining the terms and conditions of administrative support provided to UNEP by ECLAC Mexico. The costs incurred by ECLAC in providing this support should be fully reimbursed by UNEP.

ECLAC management generally concurred with the recommendations of the Office and has initiated implementation action.

C. Economic and Social Commission for Asia and the Pacific

Changes in the ESCAP secretariat that are necessary to support the thematically oriented programme of work of the Commission were not effected. There was also little congruence between the programmatic and organizational structures, and no correlation between the programme budget and the financial statements.

An audit of ESCAP technology management disclosed that security, disaster planning and disaster recovery needed to be strengthened.

ESCAP management agreed to implement many of the recommendations of the Office. However, management's response to some recommendations was still pending as of the date of the present report.

D. Economic and Social Commission for Western Asia

At ESCWA, the internal controls in place were generally adequate, but procedures needed strengthening, in particular in the areas of procurement and financial management.

At the time of the audit, milestones needed to be established for the planned move of the Commission to the new permanent headquarters in Beirut, and funding requirements and sources for the move needed to be reassessed and regularly updated. ESCWA management subsequently revised the budget and established a detailed plan for the move. As of the date of the present report, most staff and assets had been transferred from Amman to Beirut in accordance with the plan.

An audit of the Commission's technology management revealed that disaster planning and prevention needed improvement.

ESCWA management agreed with the recommendations of the Office and has already commenced implementation action.

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I. Introduction

1. The regional commissions have been reviewing their operations and programmes in accordance with Economic and Social Council resolution 1996/41 of 26 July 1996, which addressed the implementation of General Assembly resolution 50/227 of 24 May 1996. Two common issues have emerged from the commissions' deliberations. The first is the need for a strategic reorganization, from a predominantly sectoral programme structure to a broad, thematically oriented structure reflecting the economic and social priorities of the regions. The second issue is the imperative of programme cooperation with other institutions to avoid overlapping programmes and inconsistent approaches to programme delivery. As a consequence, mechanisms to ensure successful management of extrabudgetary programmes have assumed particular significance in enhancing the effectiveness of the commissions.

2. During the period from September 1996 to April 1997, the Office of Internal Oversight Services conducted audits of four of the five regional commissions, namely, the Economic Commission for Africa (ECA), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP), and the Economic and Social Commission for Western Asia (ESCWA). The Economic Commission for Europe was not covered since it was scheduled for a different audit cycle. The audits evaluated the effectiveness and efficiency of programme and administrative management and reviewed the progress of the commissions' organizational realignment efforts. As a special exercise, the Office also reviewed information technology management at ESCAP and ESCWA.

3. In accordance with the policy of the Office, management was requested to comment on the audit findings and recommendations contained in the initial audit reports, and was again requested to comment on a draft of the report. Management's comments and actions taken in response to the recommendations of the Office have been reflected throughout this report and are highlighted in italics.

II. Organization and programme alignment

A. Economic Commission for Latin America and the Caribbean

1. Presentation of the subregional programme of work

4. In the programme budget for the biennium 1994-1995,[a] subregional activities in Mexico and Central America undertaken by ECLAC Mexico were included under a separate subprogramme (12), whereas they actually related to activities (agriculture, economic development, industry, international trade, energy and social development) covered by other ECLAC subprogrammes (1, 2, 4, 5, 6 and 9). Yet, all the programme outputs of ECLAC Mexico were reflected under the heading "Subregional activities in Mexico and Central America", and the entire regular budget expenditures on the programme of work were reflected under "Development issues and policies". Consequently, the programme performance report and the financial statements did not reflect completely the common areas of the Commission's programme of work.

5. The Office recommended that ECLAC, in consultation with the Office of Programme Planning, Budget and Accounts, examine the appropriateness of the presentation of the programme of work, budget and financial accounts for ECLAC Mexico with a view to ensuring that they accurately reflect the work undertaken.

6. *ECLAC management advised that this recommendation would be presented to the Programme Planning and Budget Division of the Office of Programme Planning, Budget and Accounts for possible implementation.*

B. Economic and Social Commission for Asia and the Pacific

1. Reorganization along thematic lines

7. ESCAP has recognized that the complexity of the development problems facing the developing countries increasingly demands that they be tackled in a comprehensive manner through interdisciplinary and intersectoral action. In order to achieve a "progressive reorganization of the work of the Commission on a thematic basis", ESCAP, by its resolution 48/2 of 23 April 1993, revised its subsidiary intergovernmental structure and established three thematic committees, on regional economic

cooperation, environment and sustainable development and poverty alleviation through economic growth and social development, in addition to two other committees and two special bodies. The Commission also invited the Executive Secretary to reorganize the secretariat so as to enhance service to the thematic intergovernmental structure.

8. To reflect the thematic approach, programme 31 of the medium-term plan for the period 1992-1997[b] was revised to provide for six multisectoral subprogrammes corresponding to the revised subsidiary intergovernmental structure of the Commission. In section 16 of the proposed programme budgets for the bienniums 1994-1995 and 1996-1997,[c] the Commission's programme of work was accordingly divided into six multisectoral subprogrammes. However, the account codes were not changed accordingly, and thus continued to be issued under the old sectoral subprogrammes. As a result, schedule 4.1 of the United Nations financial statements for the biennium 1994-1995 reflected the appropriations and expenditures for ESCAP under the old sectoral subprogrammes.

9. The limited congruence between the programmatic and organizational structures and the lack of correlation between budgets and financial statements presented problems in assessing the performance and financial results of each subprogramme. In the opinion of the Office, the goal of a more efficient ESCAP secretariat could be achieved through a reorganization, with fewer substantive divisions corresponding to the reduced number of subprogrammes.

10. According to the Executive Secretary, there were practical difficulties in operationalizing the thematic approach, and the matter was likely to be reconsidered. In this connection, the Office noted from the Commission's resolution 52/1, dated 24 April 1996, that steps had been taken to facilitate a comprehensive review of the Commission's conference structure, including the thematic approach. It was understood that the results of the review would be available to the Commission in April 1997 for determining further changes in the conference and programme structure. Meanwhile, the programme relating to the ESCAP medium-term plan for the period 1998-2001 had been prepared on the basis of the existing organizational structure of the Commission's secretariat (A/51/6 (programme 15) of 24 May 1996). Thus, rather than reorganizing the secretariat to conform to the intersectoral and multidisciplinary approach commended by the Commission, the programme has been provisionally recast to accord with the existing secretariat structure.

11. The Office recommended that ESCAP take steps to ensure congruence between the programmatic and the organizational structures and correlation between the Commission's budget and financial statements, and to restructure the substantive ESCAP divisions to correspond to the reduced number of multisectoral subprogrammes. The Office noted that ESCAP, at its fifty-third session, approved a draft resolution providing for a slightly modified thematic conference structure, and requested the Executive Secretary to reorganize the secretariat to enhance its ability to service the subsidiary structure of the Commission and to implement its programme of work for the biennium 1998-1999.

12. *ESCAP management stated that the Executive Secretary had initiated corrective action and was to report to the Commission's Advisory Committee of Permanent Representatives and other Representatives Designated by Members of the Commission on the revision of the intergovernmental structure by October 1997.*

III. Programme management

A. Economic Commission for Latin America and the Caribbean

1. Departure from approved programme of work

13. Outputs outside the work programme of ECLAC Mexico represented 73 per cent of all outputs during the biennium 1996-1997, and approximately 30 per cent of ECLAC Mexico's resources were used to produce outputs not included in the proposed programme budget. In this connection, ECLAC Mexico stated that the process of formulating the work programme started three years before its actual implementation. During that period new problems might arise in the subregion and new priorities might be set by the member States, and ECLAC must react to those changes, even if those requests had not previously been included in the work programme.

14. Although those additional activities were included by ECLAC Mexico in its semi-annual reports to ECLAC headquarters, there was no feedback regarding the latter's assessment of their relevance or justification in terms of accommodating them within the regular budget allotments. There was also no indication that the availability of extrabudgetary resources for such activities had been explored.

15. *ECLAC management stated that every effort was being made to anticipate the future needs of the countries served, however, the unusual circumstances affecting the economies in the subregion in recent years had necessitated a degree*

of reorientation of programme activities at the request of the member States. According to management, the objective of a more decentralized and flexible operation within the ECLAC system is expected to be achieved during the next biennium.

2. Monitoring of projects

16. The audit found that ECLAC had not established a formalized system and procedures for project monitoring, review and follow-up. The Programme Management Unit had been using, in the main, the project management plan for monitoring projects. However, the plan was not updated promptly and the results of the monitoring, in terms of analytical information on the extrabudgetary activities as a whole, were not documented for appropriate follow-up.

17. *In response to the Office's recommendation that suitable guidelines and procedures be instituted for the monitoring and review of extrabudgetary projects, ECLAC planned to test, in 1997, its draft extrabudgetary project manual as it related to project monitoring, reporting and evaluation.*

3. Assessment of the quality of programme outputs and evaluation of extrabudgetary projects

18. The audit disclosed that there was no internal system to evaluate the quality of ECLAC outputs. The auditors were told that the high volume of ECLAC publications made it impossible for a director to review and evaluate the quality of all the publications produced in a division. For instance, ECLAC issued approximately 165 non-recurrent publications for 1994-1995, projected 187 for 1996-1997 and proposed 192 for 1998-1999. A study to establish a methodology for evaluating quality of outputs had been initiated in December 1995, but was far from completion at the time of the audit.

19. Without a system of quality evaluation, the quality of the outputs cannot be assured and there is no feedback to the planning process for attaining progressive improvement in quality. The Office therefore recommended that ECLAC establish a methodology for assessing the quality of programme outputs and develop an evaluation manual for extrabudgetary projects so that the quality of outputs can be assessed and projects evaluated systematically.

20. *ECLAC management indicated that in an effort to improve project monitoring, a project evaluation manual and a computerized planning matrix had been developed for the monitoring and evaluation of projects.*

B. Economic and Social Commission for Asia and the Pacific

1. Subprogramme 6. Least developed, landlocked and island developing countries

21. The Office of Internal Oversight Services reviewed the performance during the biennium 1994-1995 of subprogramme 6, Least developed, landlocked and island developing countries, as reported by the ESCAP secretariat on 28 February 1996. The review showed significant discrepancies in the work months planned and those utilized. In the absence of any reliable basis for estimating the workload and monitoring the time spent in producing each of the outputs, there was ad hoc allocation of available work months among the various activities for purposes of the programme and performance report. The review also disclosed deficiencies in planning, production and reporting of programme outputs.

22. *ESCAP management advised that in response to the recommendations of the Office, it had strengthened its monitoring of programme performance through (a) regular discussions on programme performance at senior staff meetings; (b) monthly review and follow-up on the implementation of both regular budget and extrabudgetary activities by the Programme Management Division; and (c) reformatting the system for reporting on the implementation of the work programme. Management also requested the Advisory Committee of Permanent Representatives to strengthen its oversight of the implementation of the work programme.*

2. Evaluation of the quality and relevance of publications

23. According to the ESCAP Organizational Manual (ST/SGB of 19 October 1995), the Programme Management Division is responsible for preparing the schedule for ESCAP publications and organizing appropriate training seminars and workshops to improve the quality of those publications and their dissemination. However, no training seminar or workshop had been organized. The Director advised that the substantive Divisions would be more qualified to carry out that evaluation in particular with regard to publications of a technical nature and/or where specialized knowledge was required.

24. The audit noted that a Working Group on Publications was established at ESCAP in January 1993 to review the publications programme and to recommend policy guidelines for planning, producing and evaluating the publications in respect of their relevance and quality. However, no such

policy guidelines had been recommended and the Working Group did not meet after August 1994.

25. The Office recommended that, in the context of the progressive reorganization of the Commission's work on a thematic basis, ESCAP ensure the quality and relevance of publications on a continuous basis. The response of ESCAP management was pending as of the date of the present report.

3. Self-evaluation of projects

26. The audit found that programme/project managers had not been conducting self-evaluations in accordance with paragraph 8.6 of the Extrabudgetary Project Manual. The Programme Management Division agreed that, in view of their importance for on-course corrections and learning lessons for the future, such evaluations should be selectively applied to high-value projects and those which are significantly delayed. The Office recommended that ESCAP strengthen project monitoring and that selective self-evaluations of both ongoing and completed projects be undertaken by the substantive divisions on a systematic basis.

27. *ESCAP management concurred with the recommendations of the Office and stated that, as a first step, it was agreed to revise the computer system to allow for on-line retrieval of data on project delivery by the implementing divisions.*

IV. Financial and administrative management

A. Economic Commission for Africa

1. Accounting system

28. The Commission's accounting system was outdated and not fully automated. It did not provide the flexibility to produce the required reports or to analyse accounting data and thus did not meet the needs of the Commission.

29. As an interim solution to its accounting and data problems until the Integrated Management Information System (IMIS) is fully implemented in July 1999, ECA initially planned to replace its existing accounting system with the one used by ECLAC. The new system should have been ready by 31 March 1997. However, this goal was not achieved. The audit found no detailed plans, time lines for implementation or progress reports. ECA subsequently decided that the SUN accounting system currently used by the Department of Peacekeeping Operations was better suited as a bridge between the current system and IMIS. As of the date of the present report, the revised target date for implementation of the SUN system was 1 January 1998. In the opinion of the Office, there should have been a more systematic approach in planning and implementing the new accounting system.

2. Bank reconciliations

30. Bank reconciliations were not up to date and there were numerous reconciling items that had been outstanding for an excessive period of time. The review of one bank account revealed, for example, that deposits amounting to $172,500 were recorded by ECA but not yet recorded by the bank, with one deposit dating back to December 1994. Charges and debits recorded by the bank but not recorded in ECA's books amounted to $304,700, most of this amount going back to 1994 and 1995. In the view of the Office of Internal Oversight Services, this matter represented a serious internal control weakness. Segregation of duties in performing bank reconciliations was also an area that needed to be strengthened.

31. *ECA management agreed with the recommendations of the Office and reported that bank reconciliations have been completed for the period from May 1996 to September 1997 and that the improper bank reconciliations for the three years prior to May 1996 were being investigated. Management also advised that it had restructured the Budget and Finance Section, taking into account the need for separation of duties.*

32. In the course of reviewing the bank reconciliations, ECA discovered a case of presumptive fraud by a former ECA staff member involving fraudulently endorsed cheques totalling approximately $30,000. This case, which is currently under investigation, highlights the importance of timely reconciliations and adequate internal controls.

3. Accounts receivable

33. A review of accounts receivable indicated significant shortcomings in internal controls. Specifically, accounts receivable balances were not aged, there was a lack of review and follow-up of long outstanding receivables, uncollectible accounts were not regularly written-off and collection action was inadequate.

34. Accounts receivable from vendors amounted to more than $500,000, going back in part to the 1980s. No aged listing of accounts was available. Under accounts receivable from staff members, more than $650,000 was outstanding for over 12 months, including outstanding travel advances of more than $200,000. Our review of accounts receivable

due from other United Nations agencies found that an amount of approximately $800,000 was outstanding with a part of this amount dating back to the 1980s. This included an amount of almost $400,000 due from the United Nations Operation in Somalia, with some charges dating back to 1993.

35. The failure adequately to control receivables may eventually lead to losses. For example, little was done to collect amounts due from separated staff members. One former ECA staff member now with a United Nations agency in Geneva owed ECA in excess of $65,000 since 1992. ECA management advised that this amount was now being recovered through payroll deductions. A similar serious situation existed for receivables due from vendors and other United Nations agencies. A major effort is needed to collect outstanding amounts in order to avoid current and future losses to the Organization.

36. *ECA management acknowledged the problems concerning accounts receivable and attributed those shortcomings to the outdated computer system and a lack of adequate staff resources. They believed that the new computer system, when implemented, would resolve most of the difficulties in the accounts. In the meantime, ECA has been vigorously pursuing collection action and a 31 December 1997 target date had been set for clearing the major receivables.*

B. Economic Commission for Latin America and the Caribbean

1. Economic Commission for Latin America and the Caribbean/Mexico Finance Unit

37. ECLAC Mexico is responsible for maintaining the accounts of both ECLAC and UNEP in Mexico. The audit found that there was no analysis of UNEP accounts to follow up and clear outstanding balances effectively, and that the analysis of ECLAC Mexico's accounts was delayed. These problems resulted from the staffing of the Finance Unit, which was not commensurate with the workload. In addition, some staff members did not have the relevant qualifications and experience.

38. *ECLAC management agreed with the recommendation of the Office that the Finance Unit at ECLAC Mexico be strengthened and indicated that appropriate actions were planned or under way.*

2. Administrative support provided to the United Nations Environment Programme

39. ECLAC provides administrative support to the UNEP Regional Office in Mexico without any formal agreement defining the terms and conditions. UNEP operations represented about one third of ECLAC Mexico's total workload in the areas of personnel, finance and security services. In return, UNEP financed five posts in ECLAC at a total cost of about $86,000 in 1996. In the opinion of the Office of Internal Oversight Services, this did not adequately compensate ECLAC for the additional workload.

40. While the Office supports the concept of common services, it believes that any common administrative arrangement should be based on considerations of economy. Owing to the fact that the UNEP office moved to a different location in 1992, the cost and benefit of the continued administrative support by ECLAC Mexico needed to be assessed.

41. *In response to the recommendation of the Office, ECLAC and UNEP have jointly reassessed the administrative support arrangements and have agreed to conclude an inter-agency support agreement between the two offices.*

C. Economic and Social Commission for Asia and the Pacific

1. Technical cooperation funds

42. The ESCAP financial statements as at 30 June 1996 showed an accounts payable balance of $9.1 million. This included contributions of donors ($2.9 million) pending establishment of trust funds and savings in respect of completed projects ($3.4 million), the disposition of which was yet to be determined on the advice of donors. To remedy this situation, the Office of Internal Oversight Services recommended that ESCAP expeditiously establish the trust funds for which contributions had already been received, close all completed projects and determine the disposition of unspent balances in consultation with donors. The response of ESCAP management was pending as of the date of the present report.

2. Procurement system

43. A review of ESCAP procurement actions in 1996 revealed that shortcomings that had already been pointed out in earlier audit reports continued to exist. Purchase orders and contracts were awarded repeatedly to a limited number of vendors. The vendor roster was not comprehensive and

did not appear to have been used. Purchase files contained no evidence of a market survey or assessment of competitive quotations, except in a few major cases, and there was little control over procurement actions that were routinely approved. Each request for procurement was processed separately, resulting in the piecemeal issuance of numerous purchase orders.

44. The shortcomings were attributable in part to the lack of qualified staff and inadequate controls over the procurement process. Procurement, which is a part of the Procurement and Transport Unit, consisted of only three local staff members, who were inadequately trained and directly supervised by the Officer-in-Charge of the Unit.

45. The Office recommended, *inter alia*, that ESCAP strengthen the procurement function by assigning Professional staff members, to the extent possible, reassigning staff members who had been in the Section for a long period of time and improving supervision and control.

46. *ESCAP management advised that remedial measures had been undertaken since the arrival of a Professional-level procurement officer in January 1997.*

D. Economic and Social Commission for Western Asia

1. Financial management

47. The Office's review of the physical security at ESCWA over blank cheques and cash receipt vouchers disclosed that the storage conditions did not adequately protect those documents from theft or misuse. There was no register to record the receipt and subsequent issue of such documents in order to identify them in the case of theft or loss.

48. A review of the financial management of two community development projects in the Near East found that the procedures used for the management of cash funds were not in accordance with United Nations financial rules. Bank accounts were opened at both project locations by United Nations Volunteer experts without authorization from the Controller and expenditures from the accounts were not properly controlled. Furthermore, the method of reporting cash expenditures did not provide for adequate internal control over transactions. The Office pointed out that project funds sent to field operations should have been controlled through use of an imprest account, the establishment of which also required approval of the Controller.

49. *ESCWA management concurred with the recommendations of the Office to improve the security over accountable documents and agreed to implement them immediately. They agreed that in the future such projects would be dealt with in accordance with financial rules and the procedures outlined in the audit observation.*

V. Facilities management

A. Economic Commission for Africa

1. Management of the United Nations Conference Centre

50. The United Nations Conference Centre at ECA was recently completed at a cost of over $115 million. In order to attract conferences, the strategy was to set the rates at lower levels than comparative facilities at United Nations conference centres in Bangkok, Vienna and Geneva. While extensive marketing activities were planned to promote the Conference Centre, apparently no studies had been made to assess potential demand. Factors limiting the use of the facilities included limited direct airline connections, inadequate hotel facilities to accommodate large conferences and a shortage of qualified interpreters.

51. The Office recommended that the pricing of fees for the use of the ECA Conference Centre facilities and associated services be reviewed on a regular basis and that the use of the Conference Centre be included in discussions with the host Government when renegotiating provisions of the headquarters agreement.

52. *ECA management agreed and advised that a business strategy workshop had been held with representatives from the business community and the host Government and that proposals for the marketing strategy for the Conference Centre were being finalized.*

2. Accounting for United Nations Conference Centre operations

53. The Conference Centre is not a core activity of ECA, but rather a separate revenue-producing activity. As such, revenues and operating costs for the Conference Centre should be separately accounted for and readily identifiable in ECAs accounting records. To obtain the true cost of this operation, it is essential to identify the proportion of common costs attributed to the running of the conference facilities such as security, building management costs and other common services provided. Unless the costs and

revenues are clearly identified, operating the conference facilities could become a drain on ECA resources.

54. ECA had rented office space to other United Nations agencies and commercial organizations at unrealistically low rental rates, which did not even cover ECA's operating costs, and some government organizations such as banks and airlines were charged no rent at all. No agreements were in place to formalize the rental arrangements and rent payments by some agencies had not been made for long periods.The Office recommended that formal rental agreements be established and that rental rates be reviewed annually.

55. *ECA management agreed with the recommendation of the Office to identify separately the costs of the Centre and stated that this would commence in January 1998. It also agreed with the recommendations concerning the rental of office space and had established a plan for corrective action.*

3. Operation and maintenance of the United Nations Conference Centre

56. In order to operate and maintain the United Nations Conference Centre in an efficient and effective manner, adequate resources need to be provided. The proposed programme budget for the biennium 1996-1997 provided for two engineers at the Professional level and three General Service technical staff. As of the date of the audit, however, only the General Service posts had been filled. In the view of the Office, it was necessary to have adequate technical staff available to supervise the operations and maintenance of the sophisticated equipment and construction of the Centre.

57. Contracts in place for maintenance of the Centre (cleaning services, electro/mechanical maintenance and operation and maintenance of the simultaneous interpretation equipment) totalled approximately $700,000 per year. They were entered into with the original contractors involved in the construction of the Centre on the basis that they were the only ones able to service the facility adequately. However, in the opinion of the Office, international bidding for those services should be undertaken as soon as the current contracts expire in order to attract qualified suppliers.

58. The commencement of operations at the Conference Centre also required additional security protection. Staffing levels, already identified as being inadequate, have not increased to cope with the additional demand and regular staff were being supplemented by 20 personnel employed on special service agreements. To monitor security of the Conference Centre premises, a closed-circuit video camera system was installed. However, other buildings and main entrances to the ECA compound were not covered by the system. The Office recommended that ECA consider extending the system to the other areas in the compound. This would reduce the requirements for additional staff.

59. *ECA management agreed to offer the contracts for international bidding on their next renewal. They stated, however, that the current complement of 64 security guards was adequate to monitor security of the buildings, and that it was unlikely that the Office's recommendation to extend use of the security camera system could be implemented because of budgetary constraints.*

B. Economic and Social Commission for Asia and the Pacific

1. Rental rates

60. A previous internal audit report issued in July 1993 had recommended, in accordance with General Assembly resolution 41/213 of 19 December 1986, that ESCAP consider the feasibility of further raising rental charges to specialized agencies in order to narrow the gap with prevailing commercial rates. Rental charges levied at that time ($106 per square metre per annum) were approximately one half of the prevailing commercial rates. In response, ESCAP had indicated that it would aim to raise the gross rent charged to United Nations bodies and specialized agencies progressively over several years. A new rate of $120 per square metre per annum was established with effect from 1 January 1994. There was no further increase since that time. The issue was also addressed by the Board of Auditors.

61. *ESCAP management agreed that there was a need for a further revision of rental rates based on a fresh assessment of the prevailing commercial rates. Management subsequently advised that it intended to change the rental structure in accordance with the recommendations of the Office and that the new rental rates would most probably take effect from 1 January 1998.*

2. Treatment and use of rental income

62. The proposed programme budget for the biennium 1994-1995 estimated income of $462,500 from the rental of ESCAP premises. The budget indicated that the estimate was provisional since additional rental income was expected as a result of the completion of the ESCAP conference complex. There was no estimate in the budget of income from reimbursement for services provided to specialized agencies and others.

63. Total rental income realized during 1994-1995 in respect of the ESCAP building and Conference Centre was

$2.2 million, $493,000 of which was from the Conference Centre. The audit disclosed that approximately $490,000 of building rental receipts, as well as all receipts from the Conference Centre and the receipts from other ESCAP revenue-producing activities, such as garage operations, catering and exhibitions, were credited to a fund-in-trust that was used for meeting expenses outside the allotment accounts. As of October 1996, the balance in the fund exceeded $1 million, which was treated as an account payable in the ESCAP accounts. This practice had not been authorized by the Office of Programme Planning, Budget and Accounts. A large portion of the rental receipts was apparently being improperly utilized to employ additional staff, thereby circumventing budgetary control.

64. *A response from ESCAP to the recommendations of the Office concerning the treatment and use of rental income was still pending as of the date of the present report.*

C. Economic and Social Commission for Western Asia

1. Relocation of Economic and Social Commission for Western Asia headquarters

65. The Economic and Social Council, in its resolution 1994/93, decided that the new permanent headquarters of ESCWA would be located in Beirut. Although the date of the move was not precisely known at the time of the audit in December 1996, it was anticipated that the office building would be ready in the latter part of 1997. In view of the budgetary constraints facing the Organization, the Council had made it clear that the financing of the move would have to come primarily from extrabudgetary contributions. This position was confirmed by the Under-Secretary-General for Administration and Management in a letter to the Executive Secretary dated 4 May 1995.

66. Although a steering committee and technical committee had been established to plan the move, at the time of the audit plans had not been finalized for moving physical equipment and assets, recruiting local staff or procuring the required services. ESCWA had prepared a budget for the move totalling approximately $4.4 million; however, the budget estimates appeared to be too low. They did not take into account, for example, the purchase of any office furniture and equipment, satellite telecommunications, radio equipment, fibre optic computer cabling or security access system equipment. The budget also did not identify sources of funding and any pledges made. The Office of Internal Oversight Services recommended that ESCWA revise the budget, establish a detailed moving plan with milestone the different activities and initiate a headquarters agree with the new host Government.

67. *ESCWA management revised the budget upwa $5.5 million and advised that the future host Govern had agreed to provide much of the needed equipment. stated that a detailed plan had been established, tha transfer of ESCWA staff and assets from Amman to B had proceeded in accordance with the plan and had n been completed at the time the present report was final They also advised that the headquarters agreement wit host Government had been finalized on 27 August 199 that a supplementary agreement with the host Govern relating to the occupancy and use of the United Na premises in Beirut had been signed on 9 October 199*

VI. Information technology management

A. Economic and Social Commission for A and the Pacific

1. Security, disaster planning and prevention

68. The audit found that no formal security poli guidelines or procedures had been developed or implem at ESCAP and that the Commission's Electronic Ser Section did not have any staff with the expertise to dev and maintain adequate security. For the mainf computer, generally accepted standards for password le were not implemented and there were no expiration dat obligatory periodic change of passwords. The system therefore, exposed to unauthorized access in an unmonit environment. Similar shortcomings existed for the local network system and for electronic mail.

69. All direct access storage devices situated in the ce computer room were being backed up and rotated off-s a fireproof, heavy-duty safe in the Conference Centre a back-up disaster recovery service agreement had established with an outside provider. While some o initial disaster recovery steps had been taken, a full dis recovery plan had not yet been implemented at ES There was still a need for a disaster analysis o mainframe computer and local area network, and a dis test plan for a rehearsal at the back-up site. Dis prevention was also in need of further analysis improvement. The Office recommended that ES establish an independent security function withi Electronic Services Section with overall responsibilit

[illegible] Volume I.

The Office further recommended that ESCAP develop a disaster recovery plan to ensure a level of system dependability that satisfied the requirements of both ESCAP and Headquarters.

70. *ESCAP management advised that implementation of the recommendations was dependent on filling the vacant post of supervisor of technical services. ESCAP was seeking Headquarters approval to proceed with recruitment of candidates possessing the necessary background and experience.*

[illegible]

a. *Official Records of the General Assembly, Forty-eighth Session, Supplement No. 6* (A/48/6/Rev.1), vols. I and II.

b. Ibid., *Forty-fifth Session, Supplement No. 6* (A/45/6/Rev.1), vols. I and II.

c. Ibid., *Fiftieth Session, Supplement No. 6* (A/50/6/Rev.1), vols. I and II.

B. Economic and Social Commission for Western Asia

1. Disaster planning and prevention

71. At the time of the audit, no disaster recovery plan and no alternative processing plans had been established. The audit disclosed the need for a disaster analysis, a disaster test plan and actual periodic performance of the disaster rehearsal. Disaster prevention also needed further analysis and improvement and ESCWA needed dependable technology to support its substantive objectives, communication needs and administrative requirements. Therefore, the Office recommended that ESCWA develop a disaster recovery plan and evaluate and test the environmental plans for Beirut to ensure that all specifications agreed to were implemented and functioning.

72. *ESCWA management concurred with these recommendations and advised that disaster planning/prevention for electronic data-processing operations would be implemented as part of its overall data-processing strategy.*

[illegible]